



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of ConnectiCare Benefits, Inc. (the "Company") as of December 31, 2021, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

#### TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On March 7, 2023, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On April 6, 2023, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

**NOW, THEREFORE**, it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

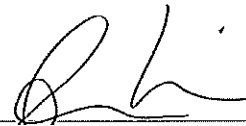
Please address the certification to the Commissioner but send said certification to the care/attention of Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 10<sup>th</sup> day of April, 2023.



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Andrew N. Mais  
Insurance Commissioner

EXHIBIT A

**EXAMINATION REPORT**

**OF**

**CONNECTICARE BENEFITS, INC.  
(NAIC CODE 14913)**

**AS OF**

**DECEMBER 31, 2021**

**BY THE CONNECTICUT INSURANCE DEPARTMENT**



## TABLE OF CONTENTS

	<u>Page</u>
Salutation	1
Scope of Examination	1
History	2
Organizational Chart	3
Management and Control	3
Related Party Transactions	5
Territory and Plan of Operation	5
Reinsurance	5
Information Technology Controls	6
Medical Loss Ratio	6
Accounts and Records	7
Financial Statements	
Assets	8
Liabilities, Capital and Surplus	9
Statement of Revenue and Expenses	10
Claims Unpaid	11
Accrued Medical Incentive Pool and Bonus	11
Unpaid Claims Adjustment Expenses	11
Aggregate Health Policy Reserves	11
Capital and Surplus	11
Common Capital Stock	11
Gross Paid-in and Contributed Surplus	11
Subsequent Events	11
Conclusion	12
Signature	13

February 16, 2023

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6<sup>th</sup> Floor  
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the conditions and affairs of:

**CONNECTICARE BENEFITS, INC.**

(hereinafter referred to as the Company or CBI), a corporation with capital stock, incorporated under the laws of the State of Connecticut and having its statutory home office and its main administrative office located at 175 Scott Swamp Road, Farmington, Connecticut. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2018. The current examination covers the period from January 1, 2019 through December 31, 2021.

Concurrent examinations were conducted on ConnectiCare, Inc. (CCI) and ConnectiCare Insurance Company, Inc. (CICI), affiliated Connecticut domestic insurance companies, which are members of EmblemHealth Inc. (EmblemHealth), a not-for-profit, New York domiciled company. The State of Massachusetts' Division of Insurance also concurrently conducted a financial examination of ConnectiCare of Massachusetts, Inc. (CCM).

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company from 2019 through 2021:

- statutory audit reports completed by the Company's independent certified public accountant, Deloitte & Touche, LLP (D&T);
- Board of Director (Board) and other committee minutes (through the latest 2022 minutes);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;

## CONNECTICARE BENEFITS, INC.

- reports of the Company's Internal Audit Department; and
- Annual Statements filed with the Department.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department and reports from the National Association of Insurance Commissioners (NAIC) database.

Work papers prepared by D&T were reviewed and relied upon to the extent deemed appropriate.

Risk & Regulatory Consulting, LLC (RRC) was engaged by the Department to assist in the review of the Company's reserving and pricing/underwriting risks for the examination.

RRC was also engaged by the Department to assist in the review of the Company's Information Technology (IT) General Controls (ITGCs) for the examination.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

### HISTORY

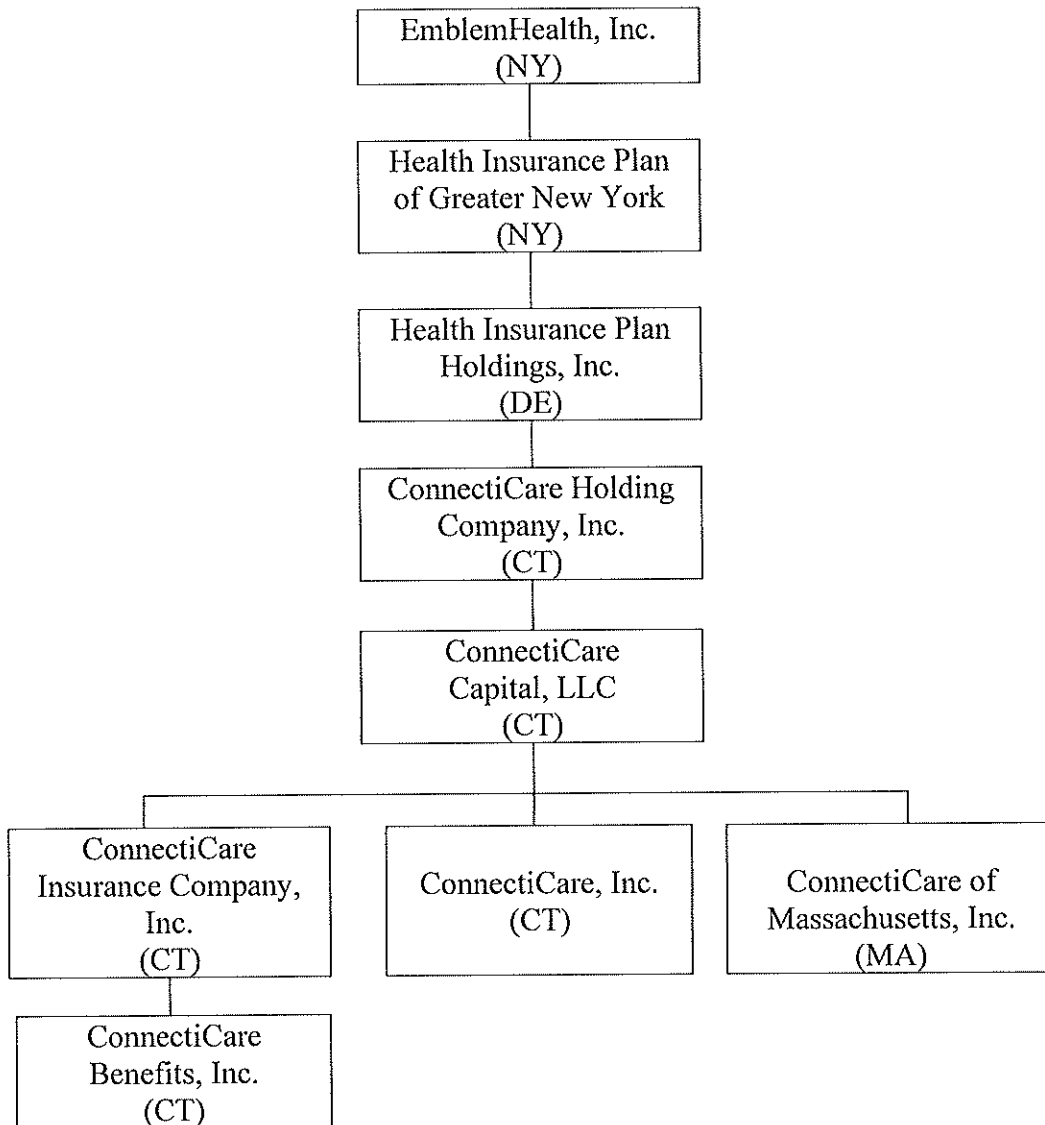
The Company was issued a Certificate of Incorporation by the Connecticut Secretary of State on August 22, 2012, licensed effective January 2, 2013, and commenced operations on January 1, 2014. CBI was formed to offer health care insurance (point of service product) on the Connecticut Health Insurance Exchange. CBI uses the existing provider network utilized by

## CONNECTICARE BENEFITS, INC.

its Connecticut affiliates. The Company is wholly owned by CICI, which is wholly owned by ConnectiCare Capital, LLC (ConnectiCare Capital). The ultimate parent is EmblemHealth.

### ORGANIZATIONAL CHART

The following is the Company's abbreviated organizational chart as of December 31, 2021:



### MANAGEMENT AND CONTROL

The bylaws of the Company require all meetings of the shareholders to be held at any location as the directors may determine. The annual meeting of the shareholders shall be held in the fourth quarter each year and at such time and date as the Board shall determine by resolution and set forth in the notice of the meeting. The business conducted at the annual meeting shall include the election of directors and any other business that may be brought before the meeting.

CONNECTICARE BENEFITS, INC.

Directors have been elected by written consent in lieu of the annual meeting.

Special meetings of the shareholders may be called by the president or by the Board, and shall be called by the secretary of the corporation upon receipt of one or more written demands for a special meeting by the holders of the requisite percentage of votes. The presence at any meeting of the majority of votes entitled to be cast on a matter shall constitute a quorum for action on that matter.

The bylaws provide that all corporate powers shall be exercised by or under the authority of, and the business affairs of the Corporation shall be managed under the direction of the Board, subject to any limitations set forth in the Certificate of Authority. The number of directors shall consist of a minimum of one and a maximum of seven members, as determined by resolution of the Shareholders or the Board.

The Board shall meet each year immediately following the annual meeting of shareholders, or as soon thereafter as appropriate, for the purpose of organization, election of officers and consideration of such other business as the Board considers relevant to the management of the Corporation. Regular meetings of the Board shall be held as determined by the Board. Special meetings shall be held at the call of the president or by at least two Directors. A majority of the members of the Board shall constitute a quorum for the transaction of business.

At December 31, 2021, directors of the Company were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Karen Marie Ignagni	Chief Executive Officer EmblemHealth, Inc.
Karen Moran	President ConnectiCare

Officers

Pursuant to the bylaws, unless the determined otherwise, the elected officers shall consist of a president, vice presidents, a secretary and a treasurer. All shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

At December 31, 2021, the officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
Karen Moran	President
Heather Leigh Tamborino	Chief Financial Officer and Treasurer
Jeffrey David Chansler, Esq.	Corporate Secretary
Lauren Lacey Clancy	Assistant Corporate Secretary
Karen Marie Ignagni	Chair



## CONNECTICARE BENEFITS, INC.

### RELATED PARTY TRANSACTIONS

#### Tax Sharing Agreement

The Company is a party to a Tax Sharing Agreement with Health Insurance Plan Holdings, Inc. (HIP Holdings), whereby HIP Holdings files a consolidated federal income tax return for all affiliated companies. The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate tax return liabilities of all affiliates that are members of the consolidated group.

#### Shared Services Agreement

The Company is party to an Amended and Restated Shared Services Agreement with and among the ConnectiCare affiliated companies, effective as of January 26, 2015. The agreement provides the ConnectiCare affiliated companies the exchange of services and use of certain personnel, facilities, equipment, personal property, licenses and contracts owned, leased or maintained by each other. Charges are allocated to the various companies based on their pro-rata share of costs incurred on its behalf.

#### Administrative Services Agreement

The Company is a party to an Amended and Restated Administrative Services Agreement with EmblemHealth affiliated companies, including EmblemHealth Services Company LLC (EHS), as of October 15, 2015. The agreement provides the EmblemHealth affiliated companies the exchange of services and use of certain personnel, facilities, equipment, personal property, licenses and contracts owned, leased or maintained by each other. Charges are allocated to the various companies based on their pro-rata share of costs incurred on its behalf.

### TERRITORY AND PLAN OF OPERATION

The Company, a for-profit Qualified Health Plan licensed to write business only in the State of Connecticut, currently offers health insurance on the Connecticut-run exchange known as Access Health CT. The Company offers fully-insured individual and managed indemnity point of service products.

### REINSURANCE

For business subject to the Patient Protection and Affordable Care Act (ACA) regulations, the Company is eligible for reimbursement under the Federal High Cost Risk Pool, whereby the reinsurance coverage provides claim loss recovery of 60% of claims in excess of \$1,000,000 during Benefit Year 2021.

The Company is also mandated to participate in the Connecticut Small Employer Health Reinsurance Pool, which was established for groups with covered lives less than 50 and is administered by Pool Administrators, Inc. The reinsurance coverage provides claim loss recovery of 50% of claims in excess of \$350,000 up to \$1,000,000 during calendar year 2021.

The Company also participated in a special Temporary Reinsurance Program (TRP) offered by the Health Reinsurance Association in Connecticut, administered by Pool Administrators,

## CONNECTICARE BENEFITS, INC.

Inc. This Program was established for carriers participating in the state exchange for individual business, AccessHealth CT, and designed to provide protection against adverse selection from a special, one-time Special Enrollment Period (SEP) allowing previously uninsured individuals and families to secure health coverage. The reinsurance coverage provides claim loss recovery of 50% of claims in excess of \$100,000 up to \$500,000 during calendar year 2021 for a defined cohort of those enrolling during the SEP.

### INFORMATION TECHNOLOGY CONTROLS

RRC performed a risk-based assessment and review of the Company's ITGCs in accordance with NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Company's ITGCs was derived from Exhibit C Part 1 – Information Technology Planning Questionnaire (ITPQ) and Exhibit C Part 2 – Information Technology Work Program (collectively, Exhibit C). The Company's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

RRC's objectives were to obtain reasonable assurance about whether:

- the Company had a process in place to effectively identify, mitigate and manage its IT risks;
- the Company's control structure policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
- the Company's policies and procedures were in place during the examination period.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's IT senior management and reviewing IT risk assessment processes.

In accordance with the Handbook, specific areas of review included:

- IT governance and organization structure;
- strategic planning, systems architecture and project oversight;
- IT risk management;
- vendor management;
- development and maintenance of policies;
- physical and logical security;
- business continuity and disaster recovery planning;
- end user or business developed applications; and
- cybersecurity and incident response.

Based upon the risk-based assessment and review, the Company's ITGCs were determined to be effective.

### MEDICAL LOSS RATIO (MLR)

As of December 31, 2021, the Company reported \$0 for its statutory MLR rebate within the "aggregate health policy reserves" liability.

## CONNECTICARE BENEFITS, INC.

The Department performed a review of the Company's MLR processes and controls designed to mitigate specific risks associated with the accuracy, payment and reporting of rebates. There were no material issues identified as a result of this review.

### ACCOUNTS AND RECORDS

The Company utilizes the Oracle ERP financial management (Oracle) system for its general ledger and accounts payable reporting. The Oracle accounting system produces a monthly trial balance based upon generally accepted accounting principles, which is then adjusted monthly for statutory accounting and reporting requirements. The Company utilizes Sapiens StatementPro and Gain Compliance (footnotes) for preparation of the Quarterly and Annual Statements.

CONNECTICARE BENEFITS, INC.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2021. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	\$149,324,147		\$149,324,147
Cash	956,072		956,072
Cash equivalents	6,489,229		6,489,229
Short term investments	9,991,130		9,991,130
Investment income due and accrued	780,232		780,232
Uncollected premiums and agents' balances in the course of collection	5,956,590	\$1,527,606	4,428,984
Accrued retrospective premiums and contracts subject to redetermination	5,264,642		5,264,642
Amounts recoverable from reinsurers	52,254		52,254
Amounts receivable relating to uninsured plans	214,646		214,646
Current federal and foreign income tax recoverable and interest thereon	12,510,736		12,510,736
Net deferred tax asset	6,555,825	6,555,825	0
Guaranty funds receivable or on deposit	432,033		432,033
Receivables from parent, subsidiaries and affiliates	4,766		4,766
Health care (\$8,433,882) and other amounts receivable	11,098,522	2,664,640	8,433,882
Aggregate write-ins for other than invested assets	35,766,968	70,565	35,696,403
Totals	<u>\$245,397,792</u>	<u>\$10,818,636</u>	<u>\$234,579,156</u>

CONNECTICARE BENEFITS, INC.

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$78,258,326	\$2,336,920	\$80,595,246
Accrued medical incentive pool and bonus	3,506,566		3,506,566
Unpaid claims adjustment expenses	1,356,209		1,356,209
Aggregate health policy reserves; including the liability of \$0 for medical loss ratio rebate per the Public Health Service Act	57,353,112		57,353,112
Premiums received in advance	9,058,884		9,058,884
General expenses due or accrued	10,376,005		10,376,005
Ceded reinsurance premiums payable			
Amounts due to parent; subsidiaries and affiliates	17,000,148		17,000,148
Aggregate write-ins for other liabilities	1,873,008		1,873,008
Total liabilities	\$178,782,258	\$2,336,920	\$181,119,178
<b>CAPITAL AND SURPLUS</b>	<b>Covered</b>	<b>Uncovered</b>	<b>Total</b>
Common capital stock	XXX		\$500,000
Gross paid in and contributed surplus	XXX		98,014,867
Unassigned funds (surplus)	XXX		(45,054,889)
Total capital and surplus	XXX		53,459,978
Total liabilities, capital and surplus	XXX		<u>\$234,579,156</u>

CONNECTICARE BENEFITS, INC.

STATEMENT OF REVENUE AND EXPENSES

STATEMENT OF REVENUE AND EXPENSES	Uncovered	Total
Member months	XXX	966,141
Net premium income	XXX	\$619,398,555
Total revenues	XXX	619,398,555
<b>Hospital and Medical:</b>		
Hospital/medical benefits	\$13,599,070	469,002,129
Other professional services		533,930
Prescription drugs		111,243,530
Incentive pool, withhold adjustments and bonus amounts		527,251
Subtotal	13,599,070	581,306,840
<b>Less:</b>		
Net reinsurance recoveries		0
Total hospital and medical	13,599,070	581,306,840
Claims adjustment expenses, including \$5,667,045 cost containment expenses		12,774,908
General administrative expenses		86,462,365
Increase in reserves for life and accident and health contracts (including \$0 increase in reserves for life only)		21,142,548
Total underwriting deductions	13,599,070	701,686,661
Net underwriting gain or (loss)	XXX	(82,288,106)
Net investment income earned		3,417,415
Net realized capital gains or (losses) less capital gains tax of \$(194)		(731)
Net investment gains (losses)		3,416,684
Aggregate write-ins for other income or expenses		404,928
Net income or (loss); after capital gains tax and before all other federal income taxes		(78,466,494)
Federal and foreign income taxes incurred		(12,004,150)
Net income (loss)	XXX	<u>\$(66,462,344)</u>
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
Capital and surplus, December 31, prior year		\$68,830,676
Net income		(66,462,344)
Change in net deferred income tax		5,065,762
Change in nonadmitted assets		(9,574,115)
Surplus adjustments: Paid in		55,600,000
Net change in capital and surplus for the year		(15,370,698)
Capital and surplus; December 31, current year		<u>\$53,459,978</u>

CONNECTICARE BENEFITS, INC.

<u>CLAIMS UNPAID</u>	<u>\$80,595,246</u>
<u>ACCRUED MEDICAL INCENTIVE POOL AND BONUS</u>	<u>\$3,506,566</u>
<u>UNPAID CLAIMS ADJUSTMENT EXPENSES</u>	<u>\$1,356,209</u>
<u>AGGREGATE HEALTH POLICY RESERVES</u>	<u>\$57,353,112</u>

RRC performed a review of reserving and pricing/underwriting risk. No material issues were noted during the review of reserving and pricing/underwriting risks.

<u>CAPITAL AND SURPLUS</u>	<u>\$53,459,978</u>
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The following is a reconciliation of capital and surplus for the period under examination:

Beginning of the Examination Period, January 1, 2019	\$46,694,878
Net income	(25,525,776)
Change in net deferred income tax	5,732,662
Change in non-admitted assets	(9,441,786)
Surplus adjustments: paid in	55,600,000
Dividends to stockholders	(19,600,000)
Net Change in Capital and Surplus for the Examination Period	6,765,100
Capital and Surplus, December 31, 2021	<u>\$53,459,978</u>

<u>COMMON CAPITAL STOCK</u>	<u>\$500,000</u>
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The Company has 20,000 shares authorized, with 100 shares issued and outstanding with a \$0 par value. There was no change to this account during the examination period.

<u>GROSS PAID-IN AND CONTRIBUTED SURPLUS</u>	<u>\$98,014,867</u>
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The following changes were noted during the examination:

Year	2019	2020	2021
Capital Contribution	\$0	\$0	\$55,600,000

All capital contributions were received by the Company from CICI.

SUBSEQUENT EVENTS

- In November of 2022 the Company announced that they would be exiting the fully insured small group market in Connecticut. They will no longer issue quotes to new customers for fully insured small group plans sold on or off the state health insurance exchange as of December 1, 2022.
- Karen Moran, President of CCI left the Company in November of 2022. Roberta Wachtelhausen was named interim President.

## CONNECTICARE BENEFITS, INC.

- Neil Kelsey, Appointed Actuary of CCI retired effective December 31, 2022. Matthew Mize took over the role of Appointed Actuary.

### CONCLUSION

The results of this examination disclosed that as of December 31, 2021, the Company had admitted assets of \$234,579,156, liabilities of \$181,119,178, and capital and surplus of \$53,459,978. During the period under examination, admitted assets increased \$60,873,013, liabilities increased \$54,107,913, and surplus as regards policyholders increased \$6,765,100.



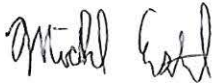
CONNECTICARE BENEFITS, INC.

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Michael Shanahan, CFE; Susan Cotugno, CPA; Dawn Cormier, CPA; Ron Jankoski, CFE; Riley Greider; Ken Roulter, AFE, AES, CISA; Wanchin Chou, FCAS, MAAA, CPCU, CSPA, CCRMP; Manuel Hidalgo, FSA, MAAA, CFA; Amy Waldhauer, FCAS, MAAA; and the professional services firm of RRC.

I, Michael Estabrook, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2021, to the best of my information, knowledge and belief.

Respectfully submitted,



\_\_\_\_\_  
Michael Estabrook, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me,



Notary Public on this 7 day of March, 2023.



Notary Public

My Commission Expires 6/30/2026

